

# School Business Alert

**May 10, 2011**

## **End of the Fiscal Year and the CAR**

Recently the Des Moines Chapter of the Association of Government Accountants (AGA) had the Midwestern Regional Vice President, Catherine Demes Maydew, speak on the topic of Reconciliations and Analytics. She shared that in a survey of 200 finance and accounting executives, respondents confirmed that timely, accurate account reconciliations have become a critical internal control practice in the wake of Sarbanes-Oxley. And coincidentally, in March 2011, GASB released a research brief that examined the usefulness of financial data to its users based on the timeliness of the release of the financial reports. 89% found financial reports very useful if released within 45 days of the end of the fiscal year, 44% if released within 3 months, 9% within 6 months. Pertaining to account analysis, many factors play into which accounts should be analyzed (look for high risk) e.g. volume or dollar value of transactions, fraud susceptibility, regulatory oversight, etc. Analysis should take place every month when books are closed, and at other key points, such as when a grant is closed. One of Catherine's points was that we cannot rely on external audit as an internal control. We must find our own errors before the auditors do.

In that spirit, and in preparation for the end of the fiscal year, a smoother upload, and a timely and accurate CAR, we wanted to share some tips passed on by fellow accountants and School Business Officials.

- Bank reconciliations should be done monthly throughout the year but if these are not to date, get them caught up.
- Look at the major sources of income (property taxes and State Aid) and make sure they've been coded properly.
- Look at state and federal grants and get those reconciliations started. If the money hasn't all been spent, talk to the superintendent or project managers, and let them know a balance is remaining and find out what the plans are for this balance.
- In the nutrition fund, make sure state and federal, breakfast and lunch revenues have been coded properly. Make sure student accounts are in good order.
- GASB 54 has changed the way fund balances are defined. Look at fund balances and determine how they should be cleaned up or redefined. Make sure the board has taken action on a fund balance policy for the district, determined who in the district can assign fund balances, and has taken formal board action on any funds that should be committed by June 30.
- GASB 54 also changed the definition for Capital Projects Funds, resulting in reclassification of the PPEL Fund to Capital Projects Fund 36. The 2010 ending balance for Fund 23 will be treated as the beginning balance for Fund 36.
- Take a look at General Ledger balances to date. Is there anything that shouldn't be there? Are there negative balances? Do the balances look reasonable? Start researching early.
- Testers are currently uploading into the 2011 COA Test Records application, which will soon be available to all (early to mid-May). Upload early! Test the account codes. A district should be able to get through Stage 1 and Stage 2 edits before the end of the year. Research any incorrect coding and negative balances and get those cleaned up early. Many Stage 3 and Stage 4 edits will appear since we are not at year-end yet.

Hopefully these reconciliations will get districts as ready as possible in having correct account balances so that year-end journal entries and the filing of the CAR can be done in a timely fashion.

#### **GASB 54**

- REMINDER: At the end of the fiscal year, districts/AEAs will need to be sure to crosswalk/journal entry fund balances to the new proper categorizations defined by GASB54, if they have not already done so. The old account numbers are still valid so if a district/AEA does not do this crosswalk, the fund balance may end up with an entirely different meaning than it once did. For example, under the old system, Fund 10, Account 739 is an unreserved, undesignated balance. If it is not crosswalked to Fund 10, Account 759 and remains labeled as 739, it will become a committed fund balance, not an unassigned fund balance.
- Unexpended Balances for Special Revenue, Capital Projects, and Debt Service Funds will be 72X, Restricted Fund Balances.
- Private Purpose Trust Funds are not included in the Fund Balances identified by GASB 54, but follow the same accrual model as Proprietary Funds (Accounts 760-789). Accordingly, the unexpended fund balance for a Scholarship Fund will be 770, Restricted Net Assets.
- The powerpoint to the April 20<sup>th</sup> GASB 54 presentation offered by IASB, IASBO, Auditor of State's office, and Department of Education can be found at the DE's website at: [http://www.iowa.gov/educate/index.php?option=com\\_content&task=view&id=280&Itemid=2366#gasb54](http://www.iowa.gov/educate/index.php?option=com_content&task=view&id=280&Itemid=2366#gasb54) . In addition it may be found on IASB's and IASBO's websites.

#### **GAAP Requirements for Negative Cash**

The GASB Codification Section 1800.603, the AICPA Audit and Accounting Guide Section 5.30, and GFOA's Governmental, Accounting, Auditing and Financial Reporting all discuss pooled cash and investment accounts. The guidance indicates that negative cash in a pooled cash account should be reported as an interfund liability account (Account 401, Interfund loans payable) rather than a credit balance in a cash account (negative cash). Also, the same amount of another fund in the pool should be reclassified as an Interfund receivable (Account 131, Interfund loans receivable). Management is responsible for determining the specific fund that will report this receivable. If the pool itself is overdrawn, the overdraft should be reported as an external liability (Account 424, Bank Overdrafts (warrants issued over bank balance)) rather than an interfund liability.

#### **Income Taxes**

We always have new people coming into the profession, so it's good to review coding for some of our largest sources of income, taxes. For each fund in which taxes are received (General fund-10, Management fund-22, PPEL fund-36, PERL fund-24, Library Levy fund-29, Debt fund-40), the various pieces should be coded separately.

- Source 1111 – Regular taxes (includes Agricultural, Homestead Credit)
- Source 1171 – Utility Excise Replacement taxes
- Source 1191 – Mobile Home tax (this one is considered miscellaneous income)
- Source 3801 – Military Credit

#### **Income Surtax**

This is normally paid out in two payments in the months of December and February. This is based on income from the tax year two years previous and from the rates of the previous year's Aid and Levy. For example, FY11's income surtax payments to districts are based on the 2009 income tax year and the FY10 Aid and Levy rates. Be sure to split the income surtax in accordance with the rates from the applicable budget year. On the FY10 Aid and Levy, the PPEL Income Surtax rate can be found on line 19.4. The General Fund Income Surtax rate can be found on lines 20.1 and 20.2.

#### **Sales Tax – Fund 33**

Sales tax is paid to districts from July through June of each year, with the estimate being recalculated each quarter. Reconciliation is done after year end and any excess is paid to the district in November. These payments are coded to Source 1121 – Statewide Sales and Services Tax (formerly Local Option).

In addition, some districts are paid a supplemental amount to bring them up to the state average. This supplement is included with the regularly scheduled June payment. Districts should code this supplemental amount (the amount greater than their May payment) to Source 3361 – School Infrastructure Supplemental Amount.

### **Update on Federal Recovery Funds**

As of this coming June 2011, most funds from the American Recovery and Reinvestment Act (ARRA) will be fully disbursed to you as subrecipients. This article summarizes some details worth noting as funding disbursements are completed.

### Final Date for Spending

ARRA funds in the following categories must be obligated for activity that will have occurred on or before September 30, 2011. These ARRA funds cannot be spent on any activities that occur after that date.

- ARRA Education Stabilization – State Aid (FY09, FY10, & FY11)
- ARRA Education Stabilization – Instructional Support (FY10)
- ARRA Education Stabilization – Professional Development (FY10)
- ARRA Government Services Stabilization – State Aid (FY11)
- ARRA Title I – Basic Grants
- ARRA Homeless Youth Grants
- ARRA IDEA Part B Grants
- ARRA IDEA Part B Preschool Grants
- ARRA IDEA Part C Grants
- ARRA EETT Technology Grants

Because of exceptions in the federal regulations, if you are a grant subrecipient in the following funds, the September 30, 2011 deadline does not apply:

- ARRA Title I – School Improvement Grants
- ARRA Iowa Teacher Quality Partnership Grant

### Ed Jobs Fund

The Ed Jobs funding has many similarities to ARRA funding, but is technically not ARRA funding. The deadline to spend Ed Jobs funds is September 30, 2012, meaning that these funds must be spent on activities that occur on or before that date.

### Quarterly ARRA Section 1512 expenditure and jobs reporting

Quarterly reporting continues until funds are expended locally. The last fund disbursements will occur in mid-June, 2011. This means that for the next cycle of quarterly reporting, if you have fully expended any ARRA funding locally and mark the report as 100% expended, you will not see that report again.

With the threat of federal shut-down, the federal GAO moved the scheduled ARRA site visit to the first week in May. The federal USDE and Office of Inspector General (OIG) will be out in mid-June for a comprehensive review of Iowa's ARRA spending. Both visits will include targeted site visits to subrecipients. So please continue to tend to requests for ARRA reports (the next cycle is at the end of June, 2011).

It is also strongly advised to continue to add enough detail to status descriptions and jobs information to fully and precisely describe how funds were spent. So rather than —"teacher salaries and benefits", instead say —"4.6 elementary teacher salaries and benefits." Rather than —"instructional materials", instead say —"replaced K-8 math textbooks". The detail included in these reports should be clear enough that someone with no knowledge of the system can read a given report and understand exactly how the funds were spent.

#### Fund Interest

Please be reminded that you cannot accrue interest on federal funding. If you are earning interest on these funds, here is the previous information related to interest on these funds:

*Per 34 CFR Subtitle A (7-1-03 Edition) Section 80.21(i) Authority: 20 U.S.C. 3474; OMB Circular A-102, interest earned on Federal advances deposited in interest bearing accounts shall be remitted annually to the US Department of Health and Human Services, Payment Management System, Rockville, MD 20852. Please note the CFDA number to which the interest earned applies. On each CFDA number, if the amount of interest earned is **\$100** or less annually, that amount may be retained by the recipient for administrative expense.*

#### Accessing the Reporting System during staff transition

These reports are tied to specific individuals and their emails at your end. If staff members change or you have an interest in having someone else manage the duty, the contact information tied to those ARRA reports must be changed manually and those individuals must be set up with a log in to the system. This requires you to contact the Iowa Department of Education to make that request. Requests like that can be made any time. The email used to log in must match the email attached to each report or the report will not appear on the persons —"dashboard."

If there are additional questions or concerns, please contact Jeff Berger at (515) 281-3968 or [jeff.berger@iowa.gov](mailto:jeff.berger@iowa.gov).

Please contact Marcia Krieger at (515) 281-5293 or [marcia.krieger@iowa.gov](mailto:marcia.krieger@iowa.gov) with questions or any specific updates you have.

#### **School Business Officials Authorization**

Beginning July 1, 2012 each district must have an authorized school business official (SBO). This person is identified as one who performs, supervises and is responsible for the overall financial operations of the local school board. Each district will identify the person(s) who meet these requirements, or could potentially meet these requirements, at June 30, 2012. These individuals may "grandfather" and receive the SBO authorization by completing the required procedure through the Board of Educational Examiners (BOEE).

**Filing with the BOEE consists of an application, signing a waiver, fingerprinting and paying a fee. SBO filing is not available until July 1, 2011.** Methods by which to fingerprint (in preferred order):

- At the BOEE (Grimes Building – 3rd floor) by appointment, cost is \$52. Call 515-281-3245 to make appointment.
- At the Fall 2011 and Spring 2012 IASBO conferences. Cost is \$65.
- Request a fingerprinting packet from BOEE (515-281-3245) or online at the following link <http://www.boee.iowa.gov/FPPktReq.html>. Get fingerprinting done by local authorities. Cost is \$65 to BOEE plus additional local cost for fingerprinting. This method takes the longest to process.

We encourage anyone in the Metro area or coming to the Capitol Complex to come into the Grimes Building for fingerprinting. Many SBOs come for meetings, SBRC, CAR-SES Advisory, Finance

Roundtable, etc., and can take advantage of not waiting in line at conferences. This will allow those that rarely get to central Iowa the opportunity to take advantage of the BOEE's presence at conferences.

The date issued on the authorization will be different than the effective date which will be July 1, 2012. It is a 3-year authorization but will expire on the holder's birthday; therefore the first issuance may be longer than 3 years.

Although by law an SBO that "grandfathers" has until June 30, 2012 to file for an authorization, the recommended latest filing date is May 1, 2012. If a district does not have an authorized SBO in place on July 1, 2012, the BOEE can file a complaint of unethical practice against the superintendent's license for not having a valid, authorized SBO.

### **Environmentally Preferable Cleaning Products**

House File 823, signed by Governor Culver on April 23, 2010, is an Act requiring public schools, community colleges, institutions under the control of the state board of regents, and state agencies to comply with an environmentally preferable cleaning and maintenance policy unless specified conditions for noncompliance are satisfied. A school district may opt out of compliance to use green cleaning products based upon the evaluation and assessment. School districts have until July 1, 2012 to opt out of purchasing only cleaning and maintenance products identified by Iowa Department of Administrative Services (DAS) or meet nationally recognized standards. The [November 2010 School Leader Update](#) offers more information on this topic. For questions, contact Gary Schwartz at the Iowa Department of Education at 515-281-4743 or [gary.schwartz@iowa.gov](mailto:gary.schwartz@iowa.gov).

### **Local Staff Transitions and Electronic Communication**

Much of the communication to superintendents from the Iowa Department of Education (DE) is done via e-mail. This allows the DE to provide timely communication and has been a cost savings to the DE.

Every attempt is made to keep the superintendent's and other distribution lists up-to-date. To assure that all districts continue to receive e-mails over the summer, please contact [marcia.krieger@iowa.gov](mailto:marcia.krieger@iowa.gov) to inform the DE if you **do not** plan on being with the district next fall. If you know your successor, please indicate that as well.

This would also apply to any principal or business manager changes. Also, please remember to go into EdInfo to adjust con-tact information as staff transitions occur.

## **School Business Alert – Web documents posted or updated since December 10, 2010**

- (red bullet designates posted / updated document)



### **School Business & Finance**

#### **❖ Accounting & Reporting**

- CAR
  - FY2009-10 CAR
- Indirect Cost Rates
  - 2011-12 Indirect Cost Rates
- Uniform Financial Accounting
  - GASB 54 Webinar PPT – April 20, 2011
  - UFA COA

❖ **Certified Enrollment**

- AEAs
- Nonpublic Schools
- School Districts
- Supplementary Weighting

❖ **Finance Roundtable**

❖ **Financial Management**

- Allocation Summaries
  - 2010-2011 State Allocations and Selected Federal Allocations
  - 2010-2011 State Allocation and Selected Federal Allocations - AEA
- Audits
- Budgets, Area Education Agencies
  - FY2012 AEA Budget Instructions
- Budgets, School Districts
- Catagorical Funding
  - FY10 LEP Expenditures
- Public Fund Deposits & Rates
- SBRC
- School District Financial Report Cards
- School Finance Tools
  - Unspent Authorized Budget Report Reference
  - Financial Reports
  - Unspent Authorized Budget Projection Worksheet
  - General Fund Financial Data & Analysis
  - Financial Indicators
  - Feasibility Study Financials
- State Payment Schedule
  - May 2011 AEA State Aid Payment Summary
  - May 2011 ISL State Aid Payment Summary
  - May 2011 LEA State Aid Payment Summary
  - April 2011 AEA State Aid Payment Summary
  - April 2011 ISL State Aid Payment Summary
  - April 2011 LEA State Aid Payment Summary
  - Explanation of March 2011 Special Ed Excess Positive Balance Deduction
  - March 2011 AEA State Aid Payment Summary
  - March 2011 ISL State Aid Payment
  - March 2011 LEA State Aid Payment Summary
  - February 2011 Income Surtax Payment
  - February 2011 AEA State Aid Payment Summary
  - February 2011 ISL State Aid Payment Summary
  - February 2011 LEA State Aid Payment Summary
  - Explanation of January 2011 Juvenile Home Deduction
  - January 2011 AEA State Aid Payment Summary
  - January 2011 ISL State Aid Payment Summary
  - January 2011 LEA State Aid Payment Summary

❖ **Levies & Funds**

- Capital Project Funds
- Debt Service Levy
- General Fund

- Management Levy
- Public Disclosure of Outstanding Levies
- PPEL
- Public Education and Recreation Levy
- Student Activity Fund

#### ❖ **School Business Official Authorization**

#### ❖ **Procedures**

- Foster Care Claim
- Nonpublic Textbook Services
- Reorganization, Dissolution & Sharing
- School Board Officers
- School Business Alert
- School Finance Associations and Boards
- Tuition & Fees
- Uniform Administrative Procedures, AEAs
- Uniform Administrative Procedures, School Districts

#### ❖ **Stimulus Package Information – American Recovery and Reinvestment Act (ARRA)**



### **School Facilities**

#### ❖ **Construction**

- Davis-Bacon Act
- Historic Preservation
- Suspended & Debarred Contractors

#### ❖ **Data Collection**

#### ❖ **Funding**

- Iowa Demonstration Construction Grant
  - Iowa Demonstration Construction Grant Awards – Fire Safety
  - Iowa Demonstration Construction Grant Awards
- Statewide School Infrastructure Sales and Services Tax
- PPEL
- QSCB
- QZAB
- School Bonds

#### ❖ **Maintenance**

- Environmental Protection & Indoor Air Quality
- Maintenance Planning

#### ❖ **Planning**

- Closing/Restructuring Attendance Centers
- Facility Planning

#### ❖ **Safety & Accessibility**

- Accessibility / ADA / 504
- Fire Safety
- Playground Safety
- School Building Safety

## Advanced Learning Opportunities

- ❖ Gifted & Talented

## Resources

- ❖ FAQs
  - Uniform Financial Accounting

## Diverse Learners

- ❖ At Risk
  - Funding
    - At-Risk FY11 Final (2010-12-20)

## Educator Quality

- ❖ Mentoring and Induction for Beginning Educators
  - Allocations
- ❖ Teacher Quality Program Guidance and Allocations
  - Market Factor Guidance on Appropriate Uses and Allocations

## Administrator Quality

- ❖ Mentoring and Induction for Beginning Administrators
  - Allocations